GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:44
ANSWERED ON:03.03.2005
STEPS TO MINIMISE IMPACT OF RISING CRUDE PRICES
Acharia Shri Basudeb;Chaudhary Shri Pankaj

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government has taken any steps to minimise the impact of rising international crude prices on domestic oil prices;

(b) if so, the details of steps taken to ensure stability of petrol and diesel prices in the country;

(c) whether any action has been taken to modify present duty structure on oil;

(d) if so, the details thereof;

(e) whether the Government is also considering long-term supply contract with Oil producing countries; and

(f) if so, the steps taken in this regard so far?

Answer

MINISTER OF PETROLEUM & NATURAL GAS AND PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) to (f): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF THE LOK SABHA STARRED QUESTION NO.44 BY SARVASHRI BASUDEB ACHARIA AND PANKAJ CHOWDHARY TO BE ANSWERED ON 3RD MARCH 2005 REGARDING STEPS TO MINIMISE IMPACT OF RISING CRUDE PRICES

(a) to (d): Government have taken a number of fiscal measures to contain the impact of unprecedented rise and volatility of increase in international prices since late 2003/early 2004, distressingly escalated since mid-2004. Effective 16.6.2004, excise duties on petrol, diesel and domestic LPG were reduced by 4%, 3% and 8% respectively. Later, effective 19.8.2004, the excise duties on petrol, diesel and PDS Kerosene were reduced by 3%, 3% and 4% respectively. Also, customs duties on petrol, diesel, PDS Kerosene and Domestic LPG were reduced by 5% each. In the Budget 2005-06, the following changes have inter alia, been announced effective 1.3.2005:

Customs Duties

- Reduction in customs duty on crude from 10% to 5%.
- Reduction in customs duty on domestic LPG and PDS Kerosene from 5% to nil.
- Reduction in customs duty on other petroleum products were from 15% - 20% to 10%.

Excise Duties

- Reduction in excise duty on Domestic LPG from 8% to nil and on PDS Kerosene from 12% to nil

In addition to these fiscal measures, the following administrative measures have been taken:

(i) PDS kerosene and domestic LPG are subsidized products. In addition to Government subsidy, public sector oil marketing companies (OMCs) have been sharing the burden by not passing the full increase in the international prices in the domestic consumer prices of these products. Under-recoveries on this account are estimated around Rs.18,000 crore in the current fiscal year, 2004-05.

(ii) There has been no increase in the price of PDS kerosene since April 2002; Diesel and LPG prices have been frozen since midnight of 4/5 November 2004; and of petrol since midnight of 14/15 November 2004.

(e) & (f): The Government does not contract oil supplies. The oil companies enter into crude oil supply contracts with the companies of the oil producing countries. The terms of such contracts, including the duration, are finalized on commercial considerations. Within the framework of overall Government policy in this regard, the bulk of our oil imports are effected under long-term supply contracts.